

MSINGA MUNICIPALITY



ANNUAL REPORT 2009

INDEX

1	MAYOR'S REPORT ON MUNICIPAL PERFORMANCE FOR 2008/2009 FINANCIAL YEAR	3-15
2	FINANCIAL STATEMENTS	16-48
3	AUDIT REPORT	49-53

Mayors Report On Municipal Performance for 2008/2009 Financial Year



Vision of Msinga Municipality

Msinga will be a Municipality with the capacity to ensure local development, through good management and development support.

Cllr F.J. Sikhakhane as Political Head of Msinga ensures that Msinga Municipality is always driving developmental and economical forces within Msinga Municipality and complies with 5 Key performance areas that are measurement for all Municipalities performance.:-

BASIC SERVICE DELIVERY

- ❖ 22 Municipal Access Roads have been constructed for good network and benefit of Msinga people.
- ❖ 64 classrooms have been donated to various schools in order to support education.

INFRASTRUCTURE PROVISION

- ❖ 37 schools have been provided with electricity out of Municipal own funds for a better education and also to speed up house connections by Eskom.

ECONOMIC VIABILITY

As finance responsible Councillors ensures that Msinga Municipal Council complies with all financial requirements as stipulated in MFMA. Obtaining five without qualification and one qualified audit reports which is an evidence of good financial management in Msinga Municipality.

Emerging contractors are empowered for self help projects and about 54 Co operatives have been established.

PUBLIC PARTICIPATION

Msinga Municipality has adopted a community communication strategy which promotes public or community involvement in matters dealing with local Government. Mayoral Programmes of Action are being conducted in various wards every month.

GOOD GOVERNANCE

Msinga Municipality has initiated stakeholders meetings or ISIXAXAMBIJI where all Local heads of Departments meet to discuss matters dealing with entire development in Msinga Municipality. This is evidence that Msinga Municipality complies with Chapter 3 of RSA Constitution for Corporate Governance. Msinga Municipality operates through ward committee system. 19 CDW's have been appointed as a link between community and all spheres of Government and the relationship between Municipality is very good. Mayors of Umzinyathi meet every month through Mayoral's Forum.

1. HISTORICAL BACKGROUND

Msinga Municipality is a newly established municipality with effect from year 2000. It operates under Traditional Councils which hinders it to collect money for services rendered by the Municipality. It is operating through equitable share and other grants from both Provincial and National Government. These grants are derived from the latest Census statistics which states that Msinga population is +- 200 000 citizens.

1.1 DIVISION WITHIN MSINGA MUNICIPAL COUNCIL

- ***POLITICAL STRUCTURE***

- 34 Councillors which includes the Mayor, Deputy Mayor, and the Speaker
- 8 Members of the Executive Committee
- 26 Ordinary Councillors

1.1.1 ADMINISTRATIVE COMPONENT

- Municipal Manager
- Corporate Services
- Financial Services
- Technical Services
- Development Planning
- Total number of employees is 43

1.1.2 POLICIES

This is a list of Policies for Finance in Msinga Municipality :

- Budget Policy
- Expenditure Policy
- Collection and control of revenue policy
- Procurement / supply chain management policy
- Payment policy
- Asset control policy
- Insurance policy
- Investment policy
- Custody of document policy
- Salaries administrative policy
- Financial reporting policy
- Indigent policy
- Credit control and debt collection policy

These Policies are for Corporate Services in Msinga Municipality

- Recruitment, selection, appoint, promotion and transfer of personnel
- Employment equity
- Subsistence and travel
- Payment of overtime
- Working Hours
- Grievances
- Transport Allowance
- Home owners allowance scheme
- Sexual harassment
- HIV/AIDS
- Leave
- Discipline
- Salaries
- Termination
- Occupational Health Safety
- Maternity Leave

2. ACHIEVEMENT REPORT FOR 2008/2009

This report is an evidence of what had been mentioned above that Msinga Municipality does not speak but act, as a result all promises made are fulfilled. This brief achievement report is in terms of Municipal Key Performance areas/ indicators which enable members of community to access or measure Municipal Performance in each financial year. It is also following objects of Local Government as stipulated in section 152 of the Republic of South Africa Constitution (Chapter) as follows:-

(a) Basic Service delivery

It is the responsibility of Local Government to ensure provision of service to communities in a sustainable manner. To comply with this object, the Msinga Municipality during the current financial year has achieved the following basic services delivery:

- Construction of Msinga Library at Tugela Ferry which will be a beneficiary to all Msinga people worth = **R5,5Million.**



The Municipality has successfully spent the funds allocated for free basic services during 2008/2009 financial year. The priority list was extended due to additional funding received from VAT claim. The list of projects completed during 2008/2009 financial year ending in June 2009 is as follows:

	Project Name	Ward	Length	Financial Year	Amount	Status	Beneficiaries
1	Mpondweni	1		2008/2009	1,022,580.00	Completed	10
2	Nkankwini	2	2.8	2008/2009	849,937.26	Completed	14
3	Ngubukazi	2	4	2008/2009	633,797.82	Completed	17
4	Machijana	3	5.2	2008/2009	1,328,943.00	Completed	21
5	Mavumbuka	5	2	2008/2009	898,538.88	Completed	18
6	Matshemane	7	3.7	2008/2009	695,697.54	Completed	17
7	Makhandana	8	3	2008/2009	670,867.20	Completed	14
8	Ntunjeni	11	0.6	2008/2009	203,184.48	Completed	5
9	Mbabane	13	4.4	2008/2009	898,901.40	Completed	12
10	Nondela	14	4.6	2008/2009	872,100.00	Completed	13
11	Ezizululwini	14	5.6	2008/2009	1,276,130.82	Completed	17
12	Dumabemsola	16	2	2008/2009	900,000.00	Completed	8
13	Okhulana	15	14	2008/2009	1,877,124.00	Completed	18
	Total Spent				12,127,802.40		184





The Municipality has also successfully spent the funds allocated through Municipal Infrastructure Grant Programme during 2008/2009 financial year. The list of the said projects completed during 2008/2009 financial year ended by the end of March 2009 is as follows:

	Project Name	Ward	Length	Financial Year	Amount	Status	Beneficiaries
1	Kwa-Zenzele	17	5.5 Km	2008/2009	2,945,714.70	Completed	34
2	Esivivaneni	12	2.7 Km	2008/2009	2,248,673.64	Completed	15
3	Kongema	6	1 Km	2008/2009	1,013,673.78	90% Complete	8
4	Skohlandi	10	3.3 Km	2008/2009	2,896,266.33	80% Complete	10

Total number of access roads constructed during the current financial year 2008/2009 by Msinga Municipality is 17 with an amount of **R21, 232, 131.00**
215 temporary workers benefitted and 170 permanent workers employed.

Msinga Municipality managed to purchase additional fourth tractor and ploughing equipment during the current financial year for the benefit of Msinga farmers.

Msinga Municipality has further developed a programme of ensuring sustainability of all access roads constructed through its funds known as “**Siyazenzela Msinga Road Maintenance Programme**” whereby 10 labourers are employed in each access road. At this stage 180 labourers are benefiting out of this programme. During construction of all these access roads 251 local labourers benefitted as temporal workers. The main aim of this programme is a creation of jobs opportunity for Msinga people in terms of Expanded Public Works Programme (**EPWP**).



(b) Youth Empowerment

During this current financial year there are number of youth projects arranged by Msinga Municipality:-

PROJECT	AMOUNT	
1. Bursaries for tertiary education	R170, 000	00
2. Support computer skills for youth 17 youth form all 17 wards	R60,000	00
3. Support licences skills for 17 youth from all 17 wards	R68,000	00
4. To encourage youth in 21 schools whereby Msinga Municipality's imbizos' /events were held to participate in sports & recreation by donating soccer kits	R105, 500	00
5. Supported youth to participate in SALGA games by providing all necessary requirements e.g, transport, soccer kits refreshments	R150, 000	00
6. Empowerment of youth in office administrative skills (volunteers)	R 85,000.	00
	R638, 500	00



Okhulana school



Mkhamo P School



Khanyisani school



Gangeyane school



Gayisani School



Mertoun School



(c) Local Economic Development

(i) To promote social economic development is part of objects of Local Government. To comply with this object the Msinga Municipality ensures that the Local Economy is developed by utilizing local service providers or suppliers for all goods and services to be supplied to it. During this financial year - + 50 local service providers were utilized for supply of goods and services and catering amounting **R1 699 239.00** I wish to mention that today's function 18 service providers have been given an opportunity to provide services to this Municipality which includes decoration, catering for VIPs, labour for community catering etc= **R107 500. 00** see *ANNEXURE "A"* attached.

(i) Msinga Municipality has arranged to assist indigent people with coffins to bury their loved ones. An amount of **R122 400.00** was spent by utilizing the following funeral parlours:

- Ikhaya likamasingcwabisane
- Ndlelenhle Funeral Service
- Mkhabela no Zulu

Msinga Municipality supports local farmers because farming is the main source of income in Msinga and the following farmers have been supported:

Mgolweni and Maqeleni farmers association = **R86 642.00** with the purchasing of fencing material and the payment of the water pump.



Food parcels and the fencing material
Mkhuphulangwenya school



Members of farmers' association who
benefited from Msinga Municipality



Dlenyane /eMaqeleni
Ncengeni

(ii) To promote a safe and healthy environment is the responsibility of local government. In September 2008 the Deputy President visited Msinga area in ward 07 and launched the war on poverty programme, she found that Msinga Municipality has already embarked upon this programme and during this financial year 852 needy people have been supported by Msinga Municipality through this programme. These people were provided with food parcels. The total figure for all these was **R 511 724. 00.**

(iii) Msinga Municipality also cares for HIV/AIDS victims, and during this financial year Imbizos for HIV/AIDS awareness programme were held at Douglas, Gangeyana and Nomfomela schools. This cost **R 43 057.00**



(iii) Local government is expected to encourage communities and community organisations to be involved in matters dealing with local government. In order to comply with this object, Msinga Municipality has accepted/ adopted community communication strategy in terms of Chapter 04 of Municipal Systems Act no 32 of 2000. This Act enables the municipality to arrange number of Imbizos away from the offices. 17 imbizos were held in this financial year out of these 17 Imbizos others were for widows see **ANNEXURE "B"** attached. This has cost **R 400 000.00**



Imbizo at Fabeni: 2009/05/19



Mahlahlamela 09/02/26



Ntokozweni: 09/03/09

(c) Good governance and public participation

It has been mentioned that Msinga Municipality uses its mechanism of visiting all various wards under its jurisdiction i.e. Community Communication Strategy. During this current financial year 40 imbizos were held per attached list ANNEXURE "B". There is a good relationship between Msinga Municipality and traditional leaders, all imbizos held in various wards indunas do participate and welcoming all present. Amakhosi also participate and give vote of thanks at these meetings.



Inkosi S Mchunu



Inkosi P.J Ngubane



Izinduna Shelembe



Makhunga



Mazeka

Regarding co-operative government in terms of Chapter 03 of RSA Constitution Act No 108 Of 1996 Msinga Municipality always invite Heads of various government of Departments whenever holding imbizos. Departments are also requested to provide their services during these events for the benefit of members of community attending.



AGE IN ACTION



Dept. Of Education



Dept. Of Health



IEC



Dept. Social Development



Philanjalo PHC



Head Dept. Social Development



Dept. Safety & Security

In connection with IGR Mayor of Msinga Municipality does attend District Mayoral Forums which are co-ordinated at the District level and the Municipal Manager also attends technical meetings for all municipal managers within uMzinyathi. There is good relationship between uMzinyathi District Municipality and Msinga Local Municipality.

(d) Municipal Finance viability and management

Management of finance by the Municipality is still in the satisfactory manner. It has been audited and also obtained **without** qualifying audit report. For 2007/2008 financial year i.e. is “**UNQUALIFIED REPORT**”.

IDP road shows which are in line with budget for 2009/2010 were conducted successfully, well attended with constructive questions and comments. All representatives of 17 wards were organised to attend and 15 centres were visited. Per attached **ANNEXURE “C”**.



IDP. Nyoniyezwe 09/05/26



Nhlalakahle hall 09/02/24



Lulama- ward 13 09/05/29

3. BUDGET ALLOCATION FOR 2009/2010 FINANCIAL YEAR

STATUTORY REQUIREMENTS

In terms of Section 10(G)(4) of the Local Government Transition Act, Second Amendment Act, 1996 (Act 97 of 1996) the Council shall submit to the Minister of Finance within 14 days from the adoption thereof by Council for the purpose of monitoring whether the maximum expenditure limits have been complied with. Provided that the Minister of Finance may delegate this monitoring function to the MEC responsible for Finance.

Section 10(G)(4) of the Act mentioned above provides that “in so far as it may be essential for the pursuit of the national economic policy, the Minister of Finance, after consultation with the Minister, determine maximum expenditure limits for the budgets or components of such budgets of municipalities for a financial year.”

The Minister of Finance has therefore set the maximum expenditure increases of 6% for each of the capital, special and trust funds and operating budgets.

These restrictions do not take into consideration new municipalities that have been recently established as ours, resulting in some functions not efficiently, effectively and efficaciously being performed.

The Budget consists of both revenue and expenditure, and it is divided into operation and capital. As I have mentioned that Msinga Municipality relies on grants from both National and Provincial government its source for support services is as follows:-

3.1. EQUITABLE SHARE

An amount of **R36 575 000.00** has been allocated to the Msinga Municipality for 2009/2010 financial year.

4. OTHER GRANTS

- 4.1.1 Financial Management Grant (FMG)** an amount of **R1 000 000.00** has been allocated to Msinga Municipality
- 4.1.2 Municipal Systems Infrastructure Grant (MSIG)** an amount of **R735 000.00** has been allocated to Msinga Municipality
- 4.1.3 Municipal Infrastructure Grant (MIG)** an amount of **R16 404 000.00** has been allocated to Msinga Municipality

5. OPERATIONAL EXPENDITURE

An operational expenditure is estimated to an amount of **R44 973 192.00** in 2009/2010 financial year. Programme Director the operational expenditure on the above mentioned amount includes the daily operation for the Municipality which if I can explain can take me the whole day, the budget document is available in our office for those who may require it for perusal.

I would like to stress that even though we got less allocation but we are trying to satisfy needs of our community, especially that fall under Local Municipality ambit as follows:

ITEM	DESCRIPTION	AMOUNT
374	HIV/AIDS AWARENESS CAMPAIGNS: Increased from R86 983, 00 from the previous year to R90 000, 00 this year. Advices to be offered to affected people	R90 000.00
375	DISASTER MANAGEMENT: to provide relief to the families affected by natural disasters such as rain, hail, fire & storms. This item has remained the same as last year.	R50 000.00
420	PAUPER BURIAL: to assist with burial facilities(coffins/ groceries) This item has not changed.	R150 000.00
448	SPECIAL PROJECTS: this item has increased from R200 000, 00 to R2 million this year. Any support through Mayors Discretion	R2 000 000.00
449	YOUTH PROJECTS: for youth empowerment projects	R800 000.00
450	SPORTS AND RECREATION: allocation is intended to encourage different types of sports codes such as soccer, indigenous games, music, dance, netball, bead work etc.	R300 000.00
456	AGRICULTURE PROJECTS PLOUGHING: increased from R60 000,00 to R75 000,00	R100 000.00 R75 000.00
372	AWARENESS PROGRAMME: increased from R50, 000 to R1'050' 000. Encouragement of community involvement in local Government affairs, whereby food is arranged for all izimbizos	R1 050 000.00

	as their entertainment offered by Msinga Municipality	
394	INDIGENT SUPPORT: to provide relief to the poor. This increased from R30' 000, 00 to R634' 000, 00 this year.	R634 000.00
554	FREE BASIC SERVICES Subsidy for Solar Panels	R1 834 141.00
620	Road Repairs & Maintenance To cater for labours working under Siyazenzela MRM & construction of other roads	R5 000 000.00

STRATEGIC PLANNING & YOUTH DEVELOPMENT PROJECTS

	PROJECT DESCRIPTION	AMOUNT
DLGTA grant	SDF Review	R100 000.00
item 491/492	IDP/PMS	R40 000.00
Youth projects – item 449	Its your life(<i>educational campaign</i>)	R400 000.00
	Internship programe for 34 youth of Msinga municipality.	R204 000.00
	Computer training & Drivers Licences for the youth	R86 000.00
	17 tertiary education bursaries to enable youth to further their education	R170 000.00
	Youth empowerment: R20 000,00 per ward for youth needs	R340 000.00

CAPITAL PROJECTS 2009/2010

The Municipality has started the process of implementing the 2009/2010 financial year projects funded through Municipality Infrastructure Grant Programme. Adjudication has been done; the contractors are expected to be on site before the end of June 2009.

	Project Name	Ward	Length Km	Financial Year	Amount
1	Ezihlabeni	14	5.4	2009/2010	R4,738,239.00
2	Ngilandi	13	4.5	2009/2010	R4,294,437.00
3	Bhodlendlini	8	7.8	2009/2010	R9,306,789.00
4	Simanyama	7	8.1	2009/2010	R6,931,143.00

The priority list for the project to be constructed through municipal own funding (Free basic services) during 2009/2010 financial year has been done and approved by the Executive committee. The funding available is R3,200,000.00 which makes it impossible to complete the whole priority list, but the list has been made long to accommodate any extra funding that might be available. The list is priorities as follows:

	Project Name	Ward	Financial Year	Status	Estimates
1	Gxobanyawo	11	2009/2010	Assessed	R442,901.01
2	Nkobongweni 2	9	2009/2010	Assessed	R1,231,177.42
3	Malembe store to Mhlumba	15	2009/2010	To be Assessed	In progress
4	Scengceni	6	2009/2010	To be Assessed	In progress
5	Mbubeni	1	2009/2010	To be Assessed	In progress
6	Nodlozi	7	2009/2010	To be Assessed	In progress
7	Kubuyakwezwe	8	2009/2010	To be Assessed	In progress
8	Ndanyana	17	2009/2010	To be Assessed	In progress
9	Mahlabathini	10	2009/2010	To be Assessed	In progress
10	Sphanga	3	2009/2010	To be Assessed	In progress
11	Ngidi to Nkandla	11	2009/2010	To be Assessed	In progress
12	Barnhill	6	2009/2010	To be Assessed	In progress
13	Mbangweni	16	2009/2010	To be Assessed	In progress
14	Mmangaliso to Ngqongeni	12	2009/2010	To be Assessed	In progress
15	Buhayika	13	2009/2010	To be Assessed	In progress
16	Simelane to Mngeni	5	2009/2010	To be Assessed	In progress

“WE FIGHT AGAINST POVERTY AND CARE FOR WIDOWS, WIDOWERS & ORPHANS”

THANK YOU.....

MSINGA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2009

In terms of section 126 (1) of the Municipal Finance Management Act ,
I am responsible for the annual financial statements, which are set out on pages 2 to 32, and
which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of
these annual financial statements are within the upper limits of the framework envisaged in
Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and
the Minister of Provincial and Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER

Date

<u>INDEX</u>	<u>Page</u>
Accounting Officers Report	18
Statement of Financial Position	20
Statement Of Financial Performance	21
Statement of Changes in Net Assets	22
Cash Flow Statement	23
Accounting Policies	24-30
Notes to the Annual Financial Statements	31-41
Appendix A: Schedule of External Loans	42
Appendix B: Analysis of Property, Plant and Equipment	43
Appendix C: Segmental Analysis of Property, Plant and Equipment	44
Appendix D: Segmental Statement Of Financial Performance	45
Appendix E (1): Actual versus Budget (Revenue and Expenditure)	46
Appendix E(2) Actual versus Budget (acquisition of Property, Plant and Equipment)	47
Appendix F: Disclosures of Grants and Subsidies in Terms of the Municipal Finance Management Act	48

ACCOUNTING OFFICERS REPORT TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. Financial Statement Ratio

	<u>2009</u>	<u>2008</u>
	<u>%</u>	<u>%</u>
<u>Budgeted Expenditure</u>		
Personnel Cost	18	23
Remuneration of Councillors	14	17
Bad debts	2	2
Depreciation Expenses	9	7
Repairs and Maintenance	9	1
Contracted Services	4	7
Grants and subsidies	-	18
General Expenditure	44	25

2. Post balance Sheet Events

Nil

3. Reconciliation of Budget to Actual Results

3.1 Operating Budget

	<u>R</u>
Budget surplus before appropriations	8,161,311
Revenue variances	4,405,772
Expense variances:-	
Personnel cost	211,066
Remuneration of Councillors	(94,554)
General expenses	2,344,575
Repairs and maintenance	(3,516,738)
Provision for depreciation	(251,738)
Contribution	284,995
Contracted services	1,032,408
Grants and subsidies paid	(4,168,835)
Actual surplus before appropriation	8,408,262

The positive revenue variance are explained in annexure "E1" to the financial statements

Major variations from expenditure budget are explained in annexure "E1" to the financial statements.

3.2 Capital Budget

CAPITAL EXPENDITURE ACCORDING TO TYPE	ACTUAL 2009 R	BUDGET 2009 R	VARIANCE R
LAND	-	-	-
FENCING	-	-	-
BUILDINGS	-	-	-
AIR CONDITIONERS	-	-	-
PLANNING	-	-	-
CONSTRUCTION WORKS	-	-	-
FURNITURE	11,375,786	15,417,000	(4,041,214)
OFFICE & ACCOUNTING	185,201	200,000	(14,799)
MACHINES	461,210	100,000	361,210
TOOLS	-	-	-
MACHINERY	-	-	-
VEHICLES & TRACTORS	-	-	-
SPECIALISED VEHICLES	861,201	500,000	361,201
CELL PHONES & RADIOS	-	-	-
	12,883,398	16,217,000	3,333,602

3.3 Grants

During the year part of the grant received for free basic services was used to finance road maintenance.

WORD OF THANKS

The Mayor, the Chairman and members of the Executive Committee, Councillors and Departmental Heads are thanked for the support they have given me during the 2008/2009 financial year.

A special word of thanks to the staff of the Treasury Department for their efforts to prepare these financial statements.

F B Sithole
Municipal Manager
Msinga Municipality

MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net assets		72,366,701	63,958,437
Housing Development Fund			
Capital Replacement Reserve			
Government grant reserve			
Accumulated Surplus		72,366,701	63,958,437
Non - current liabilities			
Non - current provisions			
Current liabilities		30,961,767	28,972,219
Creditors	6	1,421,371	4,576,759
Unspent conditional grants and receipts	7	29,528,162	24,345,255
Value Added Tax	8	12,234	50,205
Total Net Assets and Liabilities		103,328,468	92,930,656
ASSETS			
Non - current assets		42,432,411	33,254,676
Property , plant and equipment	10	42,432,411	33,254,676
Investment property			
Investments			
Long term receivables	13		
Current assets		60,896,057	59,675,979
Inventory			
Consumer debtors	15	119,692	86,120
Other debtors		50,667	62,670
Current portion of long term debtors	13	0	4,615
Value added tax	31.3	1,419,819	3,850,869
Call investment deposits		53,709,222	48,167,027
Bank balances and cash		5,596,657	7,504,678
Total Assets		103,328,468	92,930,656

**MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009**

BUDGET				ACTUAL	
2008	2009	REVENUE	Note	2009	2008
70000	72828	Property rates	19	441,045	441,045
0	0	Property rates - penalties imposed and collection charges			
15000	15606	Service charges	20	20,940	20,940
64040	66625	Rental of facilities and equipment		207,631	95,237
2204000	3230000	Interest earned - external investments	22	5,436,288	5,400,423
10000	6000	Interest earned - outstanding debtors		31	5,218
31,066,000	42,624,173	Government grants and subsidies	21	44,170,147	35,146,716
		Other income		1,944,922	123,714
	1,800,000	Gain on disposal of property, plant and equipment			
<u>33,429,040</u>	<u>47,815,232</u>	Total Revenue		<u>52,221,004</u>	<u>41,233,293</u>
EXPENDITURE					
6,870,921	7,233,971	Employee related costs	23	7,022,905	5,315,351
4,977,252	5,700,313	Remuneration of Councillors	24	5,794,867	5,262,365
655,058	700,000	Bad debts	13;15	415,005	476,155
2,159,034	3,453,927	Depreciation	10	3,705,665	3,012,153
329,274	3,378,157	Repairs and maintenance		6,894,895	215,482
1,990,204	2,123,526	Contracted services		1,091,118	980,188
5,330,906	0	Grants and subsidies paid	27	4,168,835	7,002,027
7,288,270	17,064,027	General expenses		14,719,452	9,125,927
		Loss on disposal of property, plant and equipment			
<u>29,600,919</u>	<u>39,653,921</u>	Total Expenditure		<u>43,812,742</u>	<u>31,389,648</u>
<u>3,828,121</u>	<u>8,161,311</u>	Surplus (Deficit) for the year		<u>8,408,262</u>	<u>9,843,645</u>
				0	
<u>3,828,121</u>	<u>8,161,311</u>	Surplus (Deficit) for the year		<u>8,408,262</u>	<u>9,843,645</u>

Refer to Appendix E .1 for explanation of variances

MSINGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Capital Replacement Reserve R	Capitalisation Reserve R	Government Grant Reserve R	Revaluation Reserve R	Accumulated Surplus R	Total R
2007						
Balance at 30 June 2008	689,004		33,174,998		30,094,437	63,958,438
Restated balance at 1 July 2008	689,004	0	33,174,998	0	30,094,437	63,958,438
2009						
Surplus for the year					8,408,262	8,408,262
Transfer to Capital Replacement Reserve						
Property, Plant and equipment purchased						0
Capital grants used to purchase PPE			11,838,510		(11,838,510)	0
Asset disposals						
Offsetting of Depreciation			(3,679,482)		3,679,482	0
Transfer to Accumulated Surplus	(689,004)		41,334,026		31,559,910	73,582,940
Balance at 30 June 2009	-	-	-		72,366,701	72,366,701

MSINGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2,009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		53,928,743	34,072,168
Cash paid to suppliers and employees		(42,847,459)	(25,101,330)
Cash generated from (utilised in) operations	29	11,081,284	8,970,838
Interest received	22	5,436,287	5,400,423
NET CASH FROM OPERATING ACTIVITIES		<u>16,517,572</u>	<u>14,371,261</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,883,398)	(13,240,584)
Purchase of housing infrastructure			
Proceeds on disposal of property, plant and equipment			
(Increase) decrease in investment properties			
(Increase) decrease in non - current receivables			
(Increase) decrease in non - current investments			
(Increase) decrease in call investments		-	-
NET CASH FROM INVESTING ACTIVITIES		<u>(12,883,398)</u>	<u>(13,240,584)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised (repaid)			
Increase (decrease) in consumer deposits			
Increase (decrease) in short term loans			
NET CASH FROM FINANCING ACTIVITIES		<u>3,634,173</u>	<u>1,130,677</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(3,634,173)</u>	<u>(1,130,677)</u>
Cash and cash equivalents at the beginning of the year		55,671,705	54,541,028
Cash and cash equivalents at the end of the year		<u>59,305,878</u>	<u>55,671,705</u>
		<u>3,634,173</u>	<u>1,130,677</u>

MSINGA MUNICIPALITY: ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of :

- General Notice 991 of 2005, issued in Government Gazette No. 28095 of 15 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investment in Associates
GAMAP 8	Financial Reporting of Interests in joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

These accounting policies are consistent with those of the previous financial year.

The Municipality may have transactions, events or balances that are not covered by the above GRAP and GAMAP standards. In these instances accounting policies have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on:-

- International Public Sector Accounting Standards (PSAS) (issued by the International Federation of Accountants-Public Sector Committee).
- International Accounting Standards (IAS) (issued by the International Accounting Standards Boards).
- Generally accepted Accounting Practice (issued by the South African Accounting Practice Board and the South African Institute of Chartered Accountants' Accounting Practice Committee.)

The Minister of Finance has, in terms of General Notice 552 of 2008 – Gazette 30013 – exempted compliance with certain of the above mentioned standards and aspects or parts of

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

these standards. Details of the exemptions applicable to the municipality have been provided in note 10 to the annual financial statements.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserves (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuring that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contribution Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised.

Lease payments are allocated between the lease finance cost and the capital repayment using the actual interest rate method. Lease finance costs are expensed when incurred

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset is met.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Specialist vehicle	10
Electricity	20-30	Other Vehicles	5 - 7
Water	15-20	Office equipment	3 -7
Sewerage	15-20	Furniture and Fitting	7 -10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10 -15
Buildings	30	Other items of plant and equipment	2-5
Recreation Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

In 2008/2009 the requirements of GAMAP 17 and IAS 36 were not complied with as follows:

- Review of useful life of items of property, plant and equipment recognized in the annual financial statements.
- Review of depreciation method applied to property, plant and equipment recognized in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognized in the annual financial statements

This is due to the exemption granted in Gazette 30013 (see note 1)

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

7. INVESTMENTS

Financial Instruments

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overheads costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regards to their estimated economic or realisable values.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. REVENUE RECOGNITION

11.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Interest and rentals are recognised on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement.

Finance income from the sale of housing by way of instalment sales, agreements or finance leases is recognised on a time proportionate basis.

Revenue from the sale of goods is recognised when the risk has passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

11.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

12. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognised.

13 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

**MSINGA MUNICIPALITY: ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

14. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

18.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

18.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 HOUSING DEVELOPMENT FUND	<u>2009</u>	<u>2008</u>
Housing Development Fund		
Total Housing Development Fund Assets and Liabilities		
2 Long Term Liabilities		
3 Non - Current Provisions		
4 Consumer Deposits		
5 Provisions		
Performance bonus		
Current portion of long - service provision (see note 3)		
The movement in provisions is reconciled as follows:		
Balance at beginning of year		
Contributions to provisions		
Expenditure		
Transfer from non - current provisions		
Balance at end of year		
6 Creditors		
Trade creditors	634,034	4,388,292
Payments received in advance		
Retention		
Staff leave	323,682	182,613
Deposits other	670	670
Other creditors	280,372	5,184
	<u>1,421,371</u>	<u>4,576,759</u>
Unspent Conditional Grants and Receipts		
7.1 Conditional grants from other spheres of government(see note 20)	29,528,162	22,102,463
7.2 Other conditional receipts		
Public contributions		0
Total conditional grants and receipts	<u>29,528,162</u>	<u>22,102,463</u>
Refer Appendix F		
These amounts are invested in a ring - fenced investment until utilised.		
8 VAT		
VAT payable	12,234	50,204
	<u>12,234</u>	<u>50,204</u>
VAT is payable on the receipts basis		
9 Short Term Loans		

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

10 Property, Plant and Equipment

	Land and buildings	Infrastr ucture	Community	Other	Total
Reconciliation of carrying value					
Carrying value at 1 July 2008	10,600,192	18,367,493	402	4,286,591	33,254,678
Cost	11,537,122	22,221,915	4,622	11,371,930	45,135,589
Revaluation					
Accumulated depreciation					
- Cost	(936,930)	(3,854,422)	(4,220)	(7,085,339)	(11,880,911)
- Revaluation					
Acquisitions	2,991,908			1,507,612	4,499,520
Capital under construction		8,383,878			8,383,878
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(492,961)	(1,874,001)	(402)	(1,338,302)	(3,705,665)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					0
Carrying value at 30 JUNE 2009	13,099,140	24,877,370		4,455,901	42,432,411
Cost	14,529,030	30,605,793	4,622	12,879,542	58,018,987
Revaluation					0
Accumulated depreciation					
- Cost	(1,429,890)	(5,728,423)	(4,622)	(8,423,641)	(15,586,576)
- Revaluation					
Reconciliation of carrying value	Land and buildings	Infrastr- ucture	Community	Other	Total
Carrying value at 1 July 2007	6,831,995	10,943,222	402	5,250,627	23,026,246
Cost	7,455,422	13,352,356	4,622	11,086,303	31,898,703
Revaluation					
Accumulated depreciation					
- Cost	(623,427)	(2,409,134)	(4,220)	(5,835,676)	(8,872,457)
- Revaluation					
Acquisitions	1,444,382	6,086,247		372,488	7,903,117
Capital under construction					
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(312,208)	(1,445,281)	(371)	(1,254,293)	(3,012,153)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					0
Carrying value at 30 JUNE 2008	10,600,192	18,367,493	402	4,286,591	33,254,676
Cost	11,537,122	22,221,915	4,622	11,371,930	45,135,589
Revaluation					
Accumulated depreciation					
- Cost	(936,930)	(3,854,422)	(4,220)	(7,085,339)	(11,880,911)
- Revaluation					

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Refer to Appendix B for more detail on property, plant and equipment

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been calculated for each category of infrastructure and community assets using global historical costs recorded in the accounting records.

	<u>2009</u>	<u>2008</u>
11 Investment Property		
Valuation	0	0
12 Investments - Non - Current	0	0
13 Long Term Receivables		
Vehicle loans		4,615
Sundry loans	972,193	972,193
Provision Bad Debts	(972,193)	(972,193)
	0	4,615
Less: Current portion transferred to current receivables		4,615
	0	0

Vehicle Loans

These loans were granted to staff at a subsidised interest rate of 8,5 per cent per annum in accordance with the Council's Vehicle Loan Scheme.

These loans are being phased out in accordance with the provisions of the Municipal Finance Management Act.

Sundry Loans

This interest free loan refers to grants paid by Central Government to the District Municipality on behalf of Msinga Municipality as well as amounts due by Uthekela Water (Pty) Ltd.

There is no fixed repayment period. Payments made by the District Municipality on behalf of Msinga are set off against the District Municipality loan.

14 Inventory	
Consumable stores at cost	
Maintenance materials at cost	
Unsold properties held for resale - at cost	0

15 Consumer Debtors			
	Gross Balance	Provision for doubtful debts	Net balance
Balances at 30 June 2009			
Service debtors			
Rates	5,529,081	5,529,081	0
Electricity			
Other	215,960	96,268	119,692
Total	5,749,497	5,625,349	124,148

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Gross Balance	Provision for doubtful debts	Net balance
Balances at 30 June 2008			
Service debtors			
Rates	5,098,650	5,098,650	0
Electricity			
Other	197,814	111,694	86,120
Total	5,296,464	5,210,344	86,120

	2009	2008
Rates: Ageing		
Current (0 - 30 days)	36,689	36,753
31 - 60 days	36,304	36,250
61 to 90 days	36,271	36,249
91 - 120 days	36,272	36,250
121 days and over	5,383,545	4,953,148
Total	5,529,081	5,098,650

Electricity and other : Ageing

Current (0 - 30 days)	(32,380)	(28,151)
31 - 60 days	2,233	2,113
61 to 90 days	2,224	2,074
91 - 120 days	2,151	2,074
121 days and over	241,732	219,704
Total	215,960	197,814

Summary of debtors by customer classification

	Domestic and other Consumers	Industrial / Commercial	Government
Balances at 30 June 2009			
Current (0 - 30 days)	(28,016)		32,325
31 - 60 days	6,212		32,325
61 to 90 days	6,170		32,325
91 - 120 days	6,098		32,325
121 days and over	1,155,058		4,470,219
Total	1,145,522		4,599,519

	Domestic and other Consumers	Industrial / Commercial	Government
Balances at 30 June 2008			
Current (0 - 30 days)	6,277		32,325
31 - 60 days	6,038		32,325
61 to 90 days	5,998		32,325
91 - 120 days	5,999		32,325
121 days and over	961,233		4,211,619
Total	985,545		4,340,919

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009</u>	<u>2008</u>
16 Other Debtors		
Short term loans		
Payments made in advance		
VAT claims		
Government subsidies		
Other	50,667	62,667
Total other debtors	<u>50,667</u>	<u>62,667</u>
17 Call Investment Deposit		
Other deposits	<u>53,709,221</u>	<u>48,167,027</u>
18 Bank, Cash and Overdraft Balances		
The Municipality has the following bank accounts:		
Current account (Primary bank account)		
Absa Bank - Newcastle Branch		
Account number - 4053635886		
Cash book balance at beginning of year	7,504,677	16,628,551
Cash book balance at end of year	5,596,657	7,504,677
Bank statement balance at beginning of year	9,047,418	17,082,946
Bank statement balance at end of year	7,338,159	9,047,418
9 Property Rates		
Actual		
Residential		
Commercial		
State		
Other	441,045	441,045
Total assessment rates	<u>441,045</u>	<u>441,045</u>
Valuations		
Residential		
Commercial		
State		
Municipal		
Other		
Total property valuations	<u>0</u>	<u>0</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009</u>	<u>2008</u>
20 Service Charges		
Refuse removal	20,940	20,940
	<u>20,940</u>	<u>20,940</u>
21 Government Grants and Subsidies		
Equitable share	28,772,173	19,699,973
Skills subsidy		
Conditional grants utilised to finance property, plant and equipment	11,838,510	10,000,279
Conditional grants utilised to finance operating expenses	3,559,464	2,463,545
Equitable share used to finance capital expenditure		2,982,919
	<u>44,170,147</u>	<u>35,146,716</u>
Refer Appendix F		
22 Other Income		
Investment income	4,613,630	4,254,550
Current account income	822,657	1,145,873
	<u>5,436,287</u>	<u>5,400,423</u>
23 Employee Related Costs		
Employee related costs - salaries and wages	5,289,374	4,146,145
Employee related costs - contributions to UIF, pension and medical costs	445,444	417,995
Travel, vehicle, accommodation, subsistence and other allowances	555,193	503,451
Housing benefits and allowances		
Overtime payments	115,427	69,189
Performance bonus		
Long service awards	617,467	178,571
Sub-total	<u>7,022,905</u>	<u>5,315,351</u>
Less: Employee costs allocated to Property, Plant and Equipment		
Less: Employee costs included in other expenses		
Total employee related costs	<u>7,022,905</u>	<u>5,315,351</u>

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual remuneration	419,413	374,928
Performance bonus	87,068	80,614
Car allowance	120,000	120,000
Contributions to Medical, Pension and UIF Funds	41,040	42,505
	667,521	618,047

Remuneration of the Chief Financial Officer

Annual remuneration	548,308	518,875
Performance bonus		
Car allowance		
Contributions to Medical and Pension Funds		
	548,308	518,875

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Remuneration of other managers

2009

	Corporate Services	Engineering Services	Director Tourism
Annual remuneration	280,103	257,416	307,992
Performance bonus	54,615	49,412	54,119
Car allowance	84,000	72,000	52,800
	418,875	378,828	414,911

2008

	Corporate Services	Engineering Services	Director Tourism
Annual remuneration	252,199	232,170	284,388
Performance bonus			
Car allowance	84,000	72,000	
	336,199	304,170	284,388

2009

2008

24 Remuneration of Councillors

Mayor		277,097	249,641
Deputy Mayor		223,672	201,510
Speaker		223,672	201,510
Executive committee members		1,051,575	947,384
Councillors		4,018,851	3,662,320
		<u>5,794,867</u>	<u>5,262,365</u>

In - kind benefits

The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.
The Mayor has use of a Council owned vehicle for official duties

25 Interest Paid

Finance leases 0

26 Bulk Purchases

0

27 Grants and Subsidies Paid

ESCOM power lines	1,863	2,843,607
Department of education		
Free basic services & Indigent support	4,166,972	4,158,420
	<u>4,168,835</u>	<u>7,002,027</u>

28 General Expenses

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

29	Cash Generated by Operations	<u>2009</u>	<u>2008</u>
	Surplus (deficit) for the year	8,408,262	9,843,645
	Adjustment for :		
	Prior year	0	0
	Depreciation	3,705,665	3,012,153
	Gain on disposal of property, plant and equipment		
	Contributions to provisions- non-current		
	Contributions to provisions - current		
	Contributions to bad debt provision	415,005	476,155
	Housing operating transactions		
	Investment income	(5,436,288)	(5,400,423)
	Interest paid		
	Operating surplus before working capital changes	7,092,644	7,931,530
	(increase) decrease in consumer debtors	(448,578)	(428,392)
	(increase) decrease in other debtors	12,005	108,447
	Increase (decrease) in conditional grants and receipts	5,182,907	2,242,792
	Increase (decrease) in creditors	(3,155,388)	2,800,010
	(increase) decrease in current portion of long term debtors	4,615	138,462
	Increase (decrease) in VAT	2,393,079	(3,822,011)
	Increase (decrease) in provisions		
		<u>11,081,284</u>	<u>8,970,838</u>
30	Cash and Cash Equivalents		
	Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
	Bank balances and cash	5,596,657	7,504,677
	Bank overdraft		
		<u>5,596,657</u>	<u>7,504,677</u>
31	Additional Disclosures in Terms of Municipal Finance Management Act		
	31.1 Contributions to organised local government		
	Opening balance		
	Council contributions	38,906	29,260
	Amount paid - current year	38,906	29,260
	Amount paid - previous years		
	Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
	31.2 Audit fees		
	Opening balance		
	Current year audit fee	327,002	285,669
	Amount paid current year	327,002	285,669
	Amount paid - previous years		
	Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009</u>	<u>2008</u>
31.3 VAT		
Opening balance	3,800,663	21,347
Current year output VAT	5,220,482	3,850,868
Current year input VAT	12,234	28,858
Amount paid - current year		
Amount due by SARS - V A T Audit	0	0
Amount due by/to SARS - included in debtors/creditors	<u>1,407,585</u>	<u>3,800,663</u>

All VAT returns have been submitted by the due date.

31.4 PAYE, UIF and Skills levy

Opening balance		
Current year payroll deductions and Council UIF/Skills contributions	1,802,123	1,386,876
Amount paid - current year	1,802,123	1,386,876
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

31.5 Pension and medical aid deductions

Opening balance		
Current year payroll deductions and Council contributions	1,029,495	890,521
Amount paid - current year	1,029,495	890,521
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

31.6Councillors arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at :

30 June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
30 June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days

32 Capital Commitments

Commitments in respect of capital expenditure:

- approved and contracted for
 - Infrastructure
 - Community
 - Heritage
 - Other
 - Housing Development Fund
 - Investment properties

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009</u>	<u>2008</u>
- approved but not yet contracted for		
Infrastructure	16,404,000	12,417,000
Community		
Heritage		800,000
Other		
Housing Development Fund		
Investment properties		
 This expenditure will be financed from		
- capital replacement reserve		800,000
- government grants	16,404,000	12,417,000
- own resources		
-		

33 Retirement Benefit Information

Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005

33.1 Superannuation Fund

The actuarial value of total assets was R219,5 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

33.1.1. surplus of R5,2 million in respect of pensioners (funding level 100,5%)

33.1.2. deficit of 224,7 million in respect of members (funding level 85,5%)

33.1.3. the fund was thus 91,6% funded

33.1.4. the fund did not hold an investment reserve.

33.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,0% of member's pensionable emoluments, or about R6,5 million a year

33.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries with effect from 1 July 2006 will be imposed on the municipality.

33.2 Retirement Fund

The actuarial value of total assets was R190,0 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

33.2.1. surplus of R12,9 million in respect of pensioners (funding level 104,1%)

33.2.2. deficit of R202,9 million in respect of members (funding level 69,0%)

33.2.3. the fund was thus 80,5% funded

33.2.4. the fund did not hold an investment reserve

33.2.5. the total contribution rate payable (including the surcharge of 12% payable jointly by pre-1 July 2002 members and by employers on their

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

behalf) exceeded that required for future service by 12,09% of members pensionable emoluments.

33.2.6. An additional contribution by way of a surcharge will be increased from a total of 12% to a total of 14% of salaries with effect from 1 July 2006 for a period of four years (the additional contributions apply only in respect of members who joined the Fund prior to 1 July 2002) as the excess contributions currently being paid are insufficient to restore the fund to a fully-funded position by 2010.

34 Contingent Liabilities

In accordance with an agreement reached in the SALGBC council must make provision for pensioners medical contribution.

The liability in this regard can not be calculated at this stage.

APPENDIX A

MSINGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2009

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2008 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2009 R	Carrying value of property plant & equip. R
TOTAL							

APPENDIX B
MSINGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

		Cost/ Revaluation			Accumulated Depreciation					Carry
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Valu
Land and Buildings										
Land										
Buildings	11,537,122		2,991,908		14,529,030	940,630	492,961		1,433,596	13,099
	11,537,122	0	2,991,908	0	14,529,030	940,630	492,961	0	1,433,596	13,099
Infrastructure										
Storm water drainage										
Roads	22,221,915		7,269,594		29,491,509	3,854,422	1,874,001		5,728,423	23,763
	22,221,915	0	7,269,594	0	29,491,509	3,854,422	1,874,001	0	5,728,423	23,763
Community Assets										
Sports facilities	4,622		1,114,284		1,118,906	4,220	402		4,622	1,114
	4,622	0	1,114,284	0	1,118,906	4,220	402	0	4,622	1,114
Leased Assets										
Infrastructure										
Other Assets										
Refuse disposal site	1,531,890				1,531,890	1,366,899	164,991		1,531,890	
Taxi rank	948,004				948,004	865,507	82,497		948,004	
Fencing	584,030				584,030	551,853	32,176		584,029	
Air conditioners	134,252				134,252	95,893	19,179		115,072	19
Office and computer equipment	1,753,257	461,210			2,214,467	1,348,150	180,096		1,528,246	686
Furniture and fittings	735,205	185,201			920,406	276,946	75,626		352,572	567
Machinery and equipment	167,230				167,230	149,774	7,521		157,295	9
Cell phones & radios	2,151				2,151	2,150	1		2,151	
Motor vehicles	5,515,911	861,201			6,377,112	2,428,167	776,215		3,204,382	3,172
	11,371,930	1,507,612	0	0	12,879,542	7,085,339	1,338,302	0	8,423,641	4,455
Total	45,135,589	1,507,612	11,375,786	0	58,018,987	11,880,911	3,705,666	0	15,586,577	42,432

APPENDIX C
MSINGA LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Closing Balance	Carrying Value
Executive and Council	2,314,064	999,885			3,313,949	1,347,380	325,793		1,673,173	1,640,776
Finance and Admin	11,618,113	3,180,795			14,798,908	1,592,885	534,189		2,127,074	12,671,834
Planning and Development										
Health										
Community & Social Services	2,012,729		1,114,284		3,127,013	922,917	100,635		1,023,552	2,103,461
Housing										
Public Safety	9,680	16,040			25,720	9,680	133		9,813	15,907
Sport and Recreation										
Environmental Protection										
Waste Management	2,320,185				2,320,185	1,985,938	122,939		2,108,877	211,308
Road Transport	26,822,635		7,572,394		34,395,029	5,997,836	2,619,196		8,617,032	25,777,991
Other	38,183				38,183	24,275	2,781		27,056	11,127
	0				0					
	45,135,589	4,196,720	8,686,678	-	58,018,987	11,880,911	3,705,666	0	15,586,577	42,432,404

APPENDIX D

MSINGA LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008	2008	2008		2009	2009	2009
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
41,044,419	21,883,218	19,161,201	Executive and Council	52,013,552	22,537,210	29,476,342
71,663	3,487,976	(3,416,313)	Finance and Admin	84,160	4,064,721	(3,980,561)
	916,638	(916,638)	Planning and Development		3,377,468	(3,377,468)
	129,699	(129,699)	Health		201,746	(201,746)
96,271	897,408	(801,137)	Community & Social Services	102,352	1,667,843	(1,565,491)
		0	Housing			0
	620,234	(620,234)	Public Safety		355,051	(355,051)
		0	Sport and Recreation			0
		0	Environmental Protection			0
20,940	487,982	(467,042)	Waste Management	20,940	383,347	(362,406)
	2,787,798	(2,787,798)	Road Transport		10,998,943	(10,998,943)
		0	Water			0
		0	Electricity			0
	178,695	(178,695)	Other		226,414	(226,414)
		0				0
1,233,293	1,389,648	9,843,645	Sub - total	52,221,004	43,812,742	8,408,262
			Less : Inter departmental charges			
1,233,293	31,389,648	9,843,645		52,221,004	43,812,742	8,408,262

MSINGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009	2009	2009	2009	Explanation of significant variances
REVENUE	Actual R	Budget R	Variance R	Variance %	
Property rates	441,045	72,828	368,217	83	
Property rates - penalties imposed and collection charges			0		
Service charges	20,940	15,606	5,334	25	
Rental of facilities and equipment	207,631	66,625	141,006	68	
Interest earned - external investments	5,436,288	3,230,000	2,206,288	41	
Interest earned - outstanding debtors	31	6,000	(5,969)	(100)	
Fines			0		
Licences and permits			0		
Income for agency services			0		
Government grants and subsidies	44,170,147	42,624,173	1,545,974	4	
Other income	1,944,922	1,800,000	144,922	7	
Gain on disposal of property, plant and equipment					
Total Revenue	52,221,004	47,815,232	4,405,772		
EXPENDITURE					
Employee related costs	7,022,905	7,235,971	(213,066)	(3)	
Remuneration of Councillors	5,794,867	5,698,313	96,554	2	
Bad debts	415,005	700,000	(284,995)	(69)	
Collection costs			0		
Depreciation	3,705,665	3,453,927	251,738	7	
Repairs and maintenance	6,894,895	3,378,157	3,516,738	51	
Interest paid			0		
Bulk purchases			0		
Contracted services	1,091,118	1,673,526	(1,032,408)	(95)	
Grants and subsidies paid	4,168,835		4,168,835	100	
General expenses	14,719,452	17,514,027	1,824,260)	12	
Loss on disposal of property, plant and equipment					
Total Expenditure	43,812,742	39,653,921	4,158,821		
Surplus (Deficit) for the year	8,408,262	8,161,311	246,951	3	

APPENDIX E (2)

MSINGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Land and Buildings							
Land							
Buildings					-		
	0		0	0	-		
Infrastructure							
Storm water drainage							
Roads		7,269,594	7,269,594	12,417,000	(5,147,406)	(41)	Spend previous year
Electricity reticulation			0		-		
	0	7,269,594	7,269,594	12,417,000	(5,147,406)		
Community Assets							
Parks and gardens		1,114,284	1,114,284	0	1,114,284	100	Not budgeted
Curio centre			0		-		
Libraries		2,991,908	2,991,908	3,000,000	(8,092)	(0)	
	0	4,106,192	4,106,192	3,000,000	1,106,192		
Heritage Assets							
Museum			0		-		
			0		-		
Housing Rental Stock							
Leased Assets							
Infrastructure			0		-		
			0		-		
Other Assets							
Refuse transfer station			0	0	-		
Office equipment			0	0	-		
Furniture and fittings	185,201		185,201	200,000	(14,799)	93	
Bins and containers			0		-		
Motor vehicles	861,201		861,201	500,000	361,201	72	
Computer equipment	461,210		461,210	100,000	361,210	361	
	1,507,612		1,507,612	800,000	707,612	88	
Total	1,507,612	11,375,786	12,883,398	16,217,000	(3,333,602)	(21)	

MSINGA LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2008 R	Received 2008/2009 R	Expenditure 2008/2009 R	Transfer 2008/2009 R	Unspent balance at 30 June 2009 R	Grants delayed/ withheld R	Reason for delaying/ withholding funds	Compliance with grant YES/NO	Reason for non- compliance
capital										
Grants - general	Unspecified	322,179				322,179			YES	
Grant - construction of shelters	District Council	3,144,000	928,564			4,072,564			YES	
Int Dev I - Structure Grant	Provincial Government	1,250,000				1,250,000			YES	
MIG-Roads		1,611,336	12,927,000	7,269,594		7,268,742				
Transition grant		4,068,986		826,026		3,242,960			YES	
Tourism grant		1,092,667		3,062,948	1,970,281	0				
operating										
Tourism grant		454,942	2,736,633	285,077	(1,970,281)	936,217			YES	
Municipal support grant		2,813,807		130,712		2,683,095			YES	
Grants - general		937,950				937,950			YES	
Grant -Integrated development plan		239,050				239,050			YES	
Finance Management grant		314,280	500,000	670,676		143,604			YES	
Implementation of M F M Act		145,000				145,000			YES	
Property rates grant		333,125		333,125		0			YES	
Inter departmental monitoring grant		100,000				100,000			YES	
Grant - LUMS		237,223				237,223			YES	
Grant - Project Consolidate		2,237,415				2,237,415			YES	
Grant - community development workers		141,623		10,631		130,992			YES	
MSIG grant		809,695	735,000	476,720		1,067,975			YES	
Housing grant - Pomeroy project		108,677				108,677			YES	
Grant - LED capacity building		125,000				125,000			YES	
Lottery- Pomeroy sportfield		478,610		478,610		0			YES	
Internal control & Audit committee		150,000				150,000			YES	
Municipal Assistance Programme		0	117,847	117,847		0			YES	
Housing grant - Kwalatha project		(101,846)	437,307	407,902		(72,441)			YES	
Resol phase 1		145,000				145,000				
Info Investment programme		200,000				200,000				
E - Learning		786,536		560,878		225,658				
Spacial development framework			100,000			100,000				
Electrification programme		2,200,000	2,202,725	871,419		3,531,306				
		24,345,255	20,567,229	15,384,322	0	29,528,162				

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MSINGA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of Msinga Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 45.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that

my audit of any disclosures made by the Msinga Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement. Consequently, a decision has been taken that the AGSA will not audit the budget information presented in the financial statements in terms of GRAP 1 and the audit opinion will, therefore, not cover such information.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Msinga Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in manner required by MFMA.

Other matters

9. Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements

Unaudited supplementary schedules

10. The municipality provided supplementary information in Appendix E1 to E2 to the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information and other supplementary information set out on pages 46 to 47 does not form part of the financial statements and is presented as additional information. I have not audited these schedules. Accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Property Rates Act

11. The delay by the municipality in implementing the Property Rates Act, Act 6 of 2004 was not supported by the exemption required by section 18(1) of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004).

Key governance responsibilities

12. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input type="checkbox"/>	

No.	Matter	Y	N
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	<input type="checkbox"/>	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadline [section 126 of the MFMA].	<input type="checkbox"/>	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		<input type="checkbox"/>
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	<input type="checkbox"/>	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		<input type="checkbox"/>
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	<input type="checkbox"/>	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		<input type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input type="checkbox"/>	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		<input type="checkbox"/>
14.	SCOPA resolutions have been substantially implemented.	<input type="checkbox"/>	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input type="checkbox"/>

No.	Matter	Y	N
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by Msinga Municipality against its mandate, predetermined objectives, outputs, indicators and targets [section 68 of the MFMA].	<input type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		<input type="checkbox"/>

13. Governance policies and practices do not operate effectively and appropriately. The municipality has substantially complied with the key governance responsibilities. Weaknesses with respect to the risk management, audit committee, including performance reporting and performance management needs to be addressed to improve adherence to the governance framework.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

14. I was engaged to review the performance information.

Responsibility of the accounting officer

15. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

16. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

17. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Lack of implementation of a performance management system

19. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the

different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

No reporting of performance information

20. The municipality did not prepare an annual performance report reflecting the performance of the municipality and of each external service provider in terms of section 46 of the MSA and section 121(3)(c) of the MFMA.

Content of integrated development plan

21. The Integrated Development Plan (IDP) does not contain the general key performance indicators and performance targets as required by the MSA.

APPRECIATION

22. The assistance rendered by the staff of the Msinga Municipality during the audit is sincerely appreciated.

Auditor-General

Pietermaritzburg

30 November 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence